

103D CONGRESS
2D SESSION

S. 2301

To amend the Internal Revenue Code of 1986 to encourage savings and investment through individual retirement accounts, and for other purposes.

IN THE SENATE OF THE UNITED STATES

JULY 21 (legislative day, JULY 20), 1994

Mr. ROTH (for himself, Mr. BREAUX, Mr. FORD, Mr. DOLE, Mr. SIMPSON, Mr. BOREN, Mr. RIEGLE, Mr. GRASSLEY, Mr. WALLOP, Mr. HATCH, Mr. LAUTENBERG, Mr. COATS, Mr. SHELBY, Mr. WARNER, Mr. SMITH, Mr. JOHNSTON, Ms. MIKULSKI, Mr. BOND, Mr. CRAIG, Mr. HELMS, Mr. PRESSLER, Mr. STEVENS, Mr. FAIRCLOTH, Mr. BROWN, Mr. COCHRAN, Mr. LOTT, Mr. THURMOND, Mr. BENNETT, Mr. GREGG, Mrs. HUTCHISON, Mr. INOUE, Mr. HATFIELD, Mrs. FEINSTEIN, Mr. BURNS, Mr. D'AMATO, Mr. MACK, Mr. HOLLINGS, Mr. NICKLES, Mr. SPECTER, Mr. EXON, Mr. SIMON, Mr. DODD, Mr. MURKOWSKI, Mr. DECONCINI, Mr. LIEBERMAN, Mr. BRYAN, Mr. ROBB, Ms. MOSELEY-BRAUN, Mr. AKAKA, Mr. MCCONNELL, Mr. NUNN, Mr. GRAMM, Mr. KOHL, Mr. PELL, Mr. HEFLIN, Mr. BIDEN, and Mr. KEMPTHORNE) introduced the following bill; which was read twice and referred to the Committee on Finance

A BILL

To amend the Internal Revenue Code of 1986 to encourage savings and investment through individual retirement accounts, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

1 **SECTION 1. SHORT TITLE; AMENDMENT OF 1986 CODE.**

2 (a) SHORT TITLE.—This Act may be cited as the
3 “Savings and Investment Incentive Act of 1994”.

4 (b) AMENDMENT OF 1986 CODE.—Except as other-
5 wise expressly provided, whenever in this Act an amend-
6 ment or repeal is expressed in terms of an amendment
7 to, or repeal of, a section or other provision, the reference
8 shall be considered to be made to a section or other provi-
9 sion of the Internal Revenue Code of 1986.

10 **TITLE I—RETIREMENT SAVINGS**
11 **INCENTIVES**

12 **Subtitle A—Restoration of IRA**
13 **Deduction**

14 **SEC. 101. RESTORATION OF IRA DEDUCTION.**

15 (a) IN GENERAL.—Section 219 (relating to deduction
16 for retirement savings) is amended by striking subsection
17 (g) and by redesignating subsection (h) as subsection (g).

18 (b) TECHNICAL AND CONFORMING AMENDMENTS.—

19 (1) Subsection (f) of section 219 is amended by
20 striking paragraph (7).

21 (2) Paragraph (5) of section 408(d) is amended
22 by striking the last sentence.

23 (3) Section 408(o) is amended by adding at the
24 end the following new paragraph:

25 “(5) TERMINATION.—This subsection shall not
26 apply to any designated nondeductible contribution

1 for any taxable year beginning after December 31,
2 1994.”.

3 (4) Subsection (b) of section 4973 is amended
4 by striking the last sentence.

5 (c) EFFECTIVE DATE.—The amendments made by
6 this section shall apply to taxable years beginning after
7 December 31, 1994.

8 **SEC. 102. INFLATION ADJUSTMENT FOR DEDUCTIBLE**
9 **AMOUNT.**

10 (a) IN GENERAL.—Section 219, as amended by sec-
11 tion 101, is amended by redesignating subsection (g) as
12 subsection (h) and by inserting after subsection (f) the
13 following new subsection:

14 “(g) COST-OF-LIVING ADJUSTMENTS.—

15 “(1) DEDUCTION AMOUNT.—

16 “(A) IN GENERAL.—In the case of any
17 taxable year beginning in a calendar year after
18 1995, the \$2,000 amount under subsection
19 (b)(1)(A) shall be increased by an amount equal
20 to the product of \$2,000 and the cost-of-living
21 adjustment for the calendar year.

22 “(B) ROUNDING TO NEXT LOWEST \$500.—

23 If the amount to which \$2,000 would be in-
24 creased under subparagraph (A) is not a mul-

1 tiple of \$500, such amount shall be rounded to
2 the next lowest multiple of \$500.

3 “(2) RELATED AMOUNTS.—Each of the dollar
4 amounts contained in subsection (c)(2) shall be in-
5 creased at the same time, and by the same amount,
6 as the increase under paragraph (1).

7 “(3) COST-OF-LIVING ADJUSTMENT.—For pur-
8 poses of this subsection:

9 “(A) IN GENERAL.—The cost-of-living ad-
10 justment for any calendar year is the percent-
11 age (if any) by which—

12 “(i) the CPI for such calendar year,
13 exceeds

14 “(ii) the CPI for 1994.

15 “(B) CPI FOR ANY CALENDAR YEAR.—The
16 CPI for any calendar year shall be determined
17 in the same manner as under section 1(f)(4).”.

18 (b) CONFORMING AMENDMENTS.—

19 (1) Section 408(a)(1) is amended by striking
20 “in excess of \$2,000 on behalf of any individual”
21 and inserting “on behalf of any individual in excess
22 of the amount in effect for such taxable year under
23 section 219(b)(1)(A)”.

1 (2) Section 408(b)(2)(B) is amended by strik-
 2 ing “\$2,000” and inserting “the dollar amount in
 3 effect under section 219(b)(1)(A)”.

4 (3) Section 408(j) is amended by striking
 5 “\$2,000”.

6 **SEC. 103. HOMEMAKERS ELIGIBLE FOR FULL IRA DEDUC-**
 7 **TION.**

8 (a) SPOUSAL IRA COMPUTED ON BASIS OF COM-
 9 PENSATION OF BOTH SPOUSES.—Subsection (c) of section
 10 219 (relating to special rules for certain married individ-
 11 uals) is amended to read as follows:

12 “(c) SPECIAL RULES FOR CERTAIN MARRIED INDIV-
 13 VIDUALS.—

14 “(1) IN GENERAL.—In the case of an individual
 15 to whom this paragraph applies for the taxable year,
 16 the limitation of paragraph (1) of subsection (b)
 17 shall be equal to the lesser of—

18 “(A) \$2,000, or

19 “(B) the sum of—

20 “(i) the compensation includible in
 21 such individual’s gross income for the tax-
 22 able year, plus

23 “(ii) the compensation includible in
 24 the gross income of such individual’s
 25 spouse for the taxable year reduced by the

1 amount allowable as a deduction under
2 subsection (a) to such spouse for such tax-
3 able year.

4 “(2) INDIVIDUALS TO WHOM PARAGRAPH (1)
5 APPLIES.—Paragraph (1) shall apply to any individ-
6 ual if—

7 “(A) such individual files a joint return for
8 the taxable year, and

9 “(B) the amount of compensation (if any)
10 includible in such individual’s gross income for
11 the taxable year is less than the compensation
12 includible in the gross income of such individ-
13 ual’s spouse for the taxable year.”.

14 (b) CONFORMING AMENDMENTS.—

15 (1) Paragraph (2) of section 219(f) (relating to
16 other definitions and special rules) is amended by
17 striking “subsections (b) and (c)” and inserting
18 “subsection (b)”.

19 (2) Paragraph (2) of section 219(g), as added
20 by section 102, is amended by striking “Each of the
21 dollar amounts” and inserting “The dollar amount”.

22 (3) Section 408(d)(5) is amended by striking
23 “\$2,250” and inserting “\$2,000”.

1 (c) EFFECTIVE DATE.—The amendments made by
 2 this section shall apply to taxable years beginning after
 3 December 31, 1994.

4 **SEC. 104. CERTAIN COINS AND BULLION NOT TREATED AS**
 5 **COLLECTIBLES.**

6 (a) IN GENERAL.—Paragraph (3) of section 408(m)
 7 (relating to exception for certain coin) is amended to read
 8 as follows:

9 “(3) EXCEPTION FOR CERTAIN COINS AND BUL-
 10 LION.—For purposes of this subsection, the term
 11 ‘collectible’ shall not include—

12 “(A) any coin certified by a recognized
 13 grading service and traded on a nationally rec-
 14 ognized electronic network, or listed by a recog-
 15 nized wholesale reporting service, and—

16 “(i) which is or was at any time legal
 17 tender in the country of issuance, or

18 “(ii) issued under the laws of any
 19 State, and

20 “(B) any gold, silver, platinum, or palla-
 21 dium bullion (whether fabricated in the form of
 22 a coin or otherwise) of a fineness equal to or
 23 exceeding the minimum fineness required for
 24 metals which may be delivered in satisfaction of
 25 a regulated futures contract subject to regula-

1 tion by the Commodity Futures Trading Com-
 2 mission under the Commodity Exchange Act,
 3 if such coin or bullion is in the physical possession
 4 of a trustee described under subsection (a) of this
 5 section.”.

6 (b) EFFECTIVE DATE.—The amendment made by
 7 this section shall apply to taxable years beginning after
 8 December 31, 1994.

9 **Subtitle B—Nondeductible Tax-**
 10 **Free IRAs**

11 **SEC. 111. ESTABLISHMENT OF NONDEDUCTIBLE TAX-FREE**
 12 **INDIVIDUAL RETIREMENT ACCOUNTS.**

13 (a) IN GENERAL.—Subpart A of part I of subchapter
 14 D of chapter 1 (relating to pension, profit-sharing, stock
 15 bonus plans, etc.) is amended by inserting after section
 16 408 the following new section:

17 **“SEC. 408A. IRA PLUS ACCOUNTS.**

18 “(a) GENERAL RULE.—Except as provided in this
 19 section, an IRA Plus account shall be treated for purposes
 20 of this title in the same manner as an individual retire-
 21 ment plan.

22 “(b) IRA PLUS ACCOUNT.—For purposes of this
 23 title, the term ‘IRA Plus account’ means an individual re-
 24 tirement plan which is designated at the time of establish-
 25 ment of the plan as an IRA Plus account.

1 “(c) TREATMENT OF CONTRIBUTIONS.—

2 “(1) NO DEDUCTION ALLOWED.—No deduction
3 shall be allowed under section 219 for a contribution
4 to an IRA Plus account.

5 “(2) CONTRIBUTION LIMIT.—The aggregate
6 amount of contributions for any taxable year to all
7 IRA Plus accounts maintained for the benefit of an
8 individual shall not exceed the excess (if any) of—

9 “(A) the maximum amount allowable as a
10 deduction under section 219 with respect to
11 such individual for such taxable year, over

12 “(B) the amount so allowed.

13 “(3) ROLLOVER CONTRIBUTIONS.—

14 “(A) IN GENERAL.—No rollover contribu-
15 tion may be made to an IRA Plus account un-
16 less such contribution consists of a payment or
17 distribution out of another IRA Plus account.

18 “(B) COORDINATION WITH LIMIT.—A roll-
19 over contribution shall not be taken into ac-
20 count for purposes of paragraph (2).

21 “(d) TAX TREATMENT OF DISTRIBUTIONS.—

22 “(1) IN GENERAL.—Except as provided in this
23 subsection, any amount paid or distributed out of an
24 IRA Plus account shall not be included in the gross
25 income of the distributee.

1 “(2) EXCEPTION FOR EARNINGS ON CONTRIBU-
2 TIONS HELD LESS THAN 5 YEARS.—

3 “(A) IN GENERAL.—Any amount distrib-
4 uted out of an IRA Plus account which consists
5 of earnings allocable to contributions made to
6 the account during the 5-year period ending on
7 the day before such distribution shall be in-
8 cluded in the gross income of the distributee for
9 the taxable year in which the distribution oc-
10 curs.

11 “(B) CROSS REFERENCE.—

**“For additional tax for early withdrawal, see sec-
tion 72(t).**

12 “(C) ORDERING RULE.—

13 “(i) FIRST-IN, FIRST-OUT RULE.—
14 Distributions from an IRA Plus account
15 shall be treated as having been made—

16 “(I) first from the earliest con-
17 tribution (and earnings allocable
18 thereto) remaining in the account at
19 the time of the distribution, and

20 “(II) then from other contribu-
21 tions (and earnings allocable thereto)
22 in the order in which made.

23 “(ii) ALLOCATIONS BETWEEN CON-
24 TRIBUTIONS AND EARNINGS.—Any portion

1 of a distribution allocated to a contribution
2 (and earnings allocable thereto) shall be
3 treated as allocated first to the earnings
4 and then to the contribution.

5 “(iii) ALLOCATION OF EARNINGS.—
6 Earnings shall be allocated to a contribu-
7 tion in such manner as the Secretary may
8 by regulations prescribe.

9 “(iv) CONTRIBUTIONS IN SAME
10 YEAR.—Under regulations, all contribu-
11 tions made during the same taxable year
12 may be treated as 1 contribution for pur-
13 poses of this subparagraph.

14 “(3) ROLLOVERS.—

15 “(A) IN GENERAL.—Paragraph (2) shall
16 not apply to any distribution which is trans-
17 ferred to another IRA Plus account.

18 “(B) CONTRIBUTION PERIOD.—For pur-
19 poses of paragraph (2), the IRA Plus account
20 to which any contributions are transferred from
21 another IRA Plus account shall be treated as
22 having held such contributions during any pe-
23 riod such contributions were held (or are treat-
24 ed as held under this subparagraph) by the ac-
25 count from which transferred.”.

1 (b) EARLY WITHDRAWAL PENALTY.—Section 72(t),
 2 as amended by section 201(c), is amended by adding at
 3 the end the following new paragraph:

4 “(8) RULES RELATING TO IRA PLUS AC-
 5 COUNTS.—In the case of an IRA Plus account under
 6 section 408A—

7 “(A) this subsection shall only apply to
 8 distributions out of such account which consist
 9 of earnings allocable to contributions made to
 10 the account during the 5-year period ending on
 11 the day before such distribution, and

12 “(B) paragraph (2)(A)(i) shall not apply to
 13 any distribution described in subparagraph
 14 (A).”.

15 (c) EXCESS CONTRIBUTIONS.—Section 4973(b) is
 16 amended by adding at the end the following new sentence:
 17 “For purposes of paragraphs (1)(B) and (2)(C), the
 18 amount allowable as a deduction under section 219 shall
 19 be computed without regard to section 408A.”

20 (d) CONFORMING AMENDMENT.—The table of sec-
 21 tions for subpart A of part I of subchapter D of chapter
 22 1 is amended by inserting after the item relating to section
 23 408 the following new item:

“Sec. 408A. IRA Plus accounts.”.

1 (e) EFFECTIVE DATE.—The amendments made by
2 this section shall apply to taxable years beginning after
3 December 31, 1994.

4 **TITLE II—PENALTY-FREE** 5 **DISTRIBUTIONS**

6 **SEC. 201. DISTRIBUTIONS FROM CERTAIN PLANS MAY BE**
7 **USED WITHOUT PENALTY TO PURCHASE**
8 **FIRST HOMES OR TO PAY HIGHER EDU-**
9 **CATION OR FINANCIALLY DEVASTATING**
10 **MEDICAL EXPENSES.**

11 (a) IN GENERAL.—Paragraph (2) of section 72(t)
12 (relating to exceptions to 10-percent additional tax on
13 early distributions from qualified retirement plans) is
14 amended by adding at the end the following new subpara-
15 graph:

16 “(D) DISTRIBUTIONS FROM CERTAIN PLANS
17 FOR FIRST HOME PURCHASES OR EDUCATIONAL EX-
18 PENSES.—Distributions to an individual from an in-
19 dividual retirement plan, or from amounts attrib-
20 utable to employer contributions made pursuant to
21 elective deferrals described in subparagraph (A) or
22 (C) of section 402(g)(3) or section
23 501(c)(18)(D)(iii)—

1 “(i) which are qualified first-time home-
 2 buyer distributions (as defined in paragraph
 3 (6)), or

4 “(ii) to the extent such distributions do not
 5 exceed the qualified higher education expenses
 6 (as defined in paragraph (7)) of the taxpayer
 7 for the taxable year.”.

8 (b) FINANCIALLY DEVASTATING MEDICAL EX-
 9 PENSES.—

10 (1) IN GENERAL.—Section 72(t)(3)(A) is
 11 amended by striking “(B),”.

12 (2) CERTAIN LINEAL DESCENDANTS AND AN-
 13 CESTORS TREATED AS DEPENDENTS.—Subpara-
 14 graph (B) of section 72(t)(2) is amended by striking
 15 “medical care” and all that follows and inserting
 16 “medical care determined—

17 “(i) without regard to whether the
 18 employee itemizes deductions for such tax-
 19 able year, and

20 “(ii) by treating such employee’s de-
 21 pendents as including—

22 “(I) all children and grand-
 23 children of the employee or such em-
 24 ployee’s spouse, and

1 “(II) all ancestors of the em-
2 ployee or such employee’s spouse.”.

3 (3) CONFORMING AMENDMENT.—Subparagraph
4 (B) of section 72(t)(2) is amended by striking “or
5 (C)” and inserting “, (C) or (D)”.

6 (c) DEFINITIONS.—Section 72(t) is amended by add-
7 ing at the end the following new paragraphs:

8 “(6) QUALIFIED FIRST-TIME HOMEBUYER DIS-
9 TRIBUTIONS.—For purposes of paragraph (2)(D)(i):

10 “(A) IN GENERAL.—The term ‘qualified
11 first-time homebuyer distribution’ means any
12 payment or distribution received by an individ-
13 ual to the extent such payment or distribution
14 is used by the individual before the close of the
15 60th day after the day on which such payment
16 or distribution is received to pay qualified ac-
17 quisition costs with respect to a principal resi-
18 dence of a first-time homebuyer who is such in-
19 dividual, the spouse of such individual, or any
20 child, grandchild, or ancestor of such individual
21 or the individual’s spouse.

22 “(B) QUALIFIED ACQUISITION COSTS.—
23 For purposes of this paragraph, the term
24 ‘qualified acquisition costs’ means the costs of
25 acquiring, constructing, or reconstructing a res-

1 idence. Such term includes any usual or reason-
2 able settlement, financing, or other closing
3 costs.

4 “(C) FIRST-TIME HOMEBUYER; OTHER
5 DEFINITIONS.—For purposes of this paragraph:

6 “(i) FIRST-TIME HOMEBUYER.—The
7 term ‘first-time homebuyer’ means any in-
8 dividual if—

9 “(I) such individual (and if mar-
10 ried, such individual’s spouse) had no
11 present ownership interest in a prin-
12 cipal residence during the 2-year pe-
13 riod ending on the date of acquisition
14 of the principal residence to which
15 this paragraph applies, and

16 “(II) subsection (a)(6), (h), or
17 (k) of section 1034 did not suspend
18 the running of any period of time
19 specified in section 1034 with respect
20 to such individual on the day before
21 the date the distribution is applied
22 pursuant to subparagraph (A)(ii).

23 “(ii) PRINCIPAL RESIDENCE.—The
24 term ‘principal residence’ has the same
25 meaning as when used in section 1034.

1 “(iii) DATE OF ACQUISITION.—The
2 term ‘date of acquisition’ means the date—

3 “(I) on which a binding contract
4 to acquire the principal residence to
5 which subparagraph (A) applies is en-
6 tered into, or

7 “(II) on which construction or re-
8 construction of such a principal resi-
9 dence is commenced.

10 “(D) SPECIAL RULE WHERE DELAY IN AC-
11 QUISTION.—If any distribution from any indi-
12 vidual retirement plan fails to meet the require-
13 ments of subparagraph (A) solely by reason of
14 a delay or cancellation of the purchase or con-
15 struction of the residence, the amount of the
16 distribution may be contributed to an individual
17 retirement plan as provided in section
18 408(d)(3)(A)(i) (determined by substituting
19 ‘120 days’ for ‘60 days’ in such section), except
20 that—

21 “(i) section 408(d)(3)(B) shall not be
22 applied to such contribution, and

23 “(ii) such amount shall not be taken
24 into account in determining whether sec-

1 tion 408(d)(3)(A)(i) applies to any other
2 amount.

3 “(7) QUALIFIED HIGHER EDUCATION EX-
4 PENSES.—For purposes of paragraph (2)(D)(ii):

5 “(A) IN GENERAL.—The term ‘qualified
6 higher education expenses’ means tuition, fees,
7 books, supplies, and equipment required for the
8 enrollment or attendance of—

9 “(i) the taxpayer,

10 “(ii) the taxpayer’s spouse, or

11 “(iii) any child (as defined in section
12 151(c)(3)), grandchild, or ancestor of the
13 taxpayer or the taxpayer’s spouse,
14 at an eligible educational institution (as defined
15 in section 135(c)(3)).

16 “(B) COORDINATION WITH SAVINGS BOND
17 PROVISIONS.—The amount of qualified higher
18 education expenses for any taxable year shall be
19 reduced by any amount excludable from gross
20 income under section 135.”.

21 (d) PENALTY-FREE DISTRIBUTIONS FOR CERTAIN
22 UNEMPLOYED INDIVIDUALS.—Paragraph (2) of section
23 72(t) is amended by adding at the end the following new
24 subparagraph:

“(E) DISTRIBUTIONS TO UNEMPLOYED INDIVIDUALS.—A distribution from an individual retirement plan to an individual after separation from employment, if—

“(i) such individual has received unemployment compensation for 12 consecutive weeks under any Federal or State unemployment compensation law by reason of such separation, and

“(ii) such distributions are made during any taxable year during which such unemployment compensation is paid or the succeeding taxable year.

To the extent provided in regulations, a self-employed individual shall be treated as meeting the requirements of clause (i) if, under Federal or State law, the individual would have received unemployment compensation but for the fact the individual was self-employed.”.

(e) CONFORMING AMENDMENTS.—

(1) Section 401(k)(2)(B)(i) is amended by striking “or” at the end of subclause (III), by striking “and” at the end of subclause (IV) and inserting “or”, and by inserting after subclause (IV) the following new subclause:

1 “(V) the date on which qualified
2 first-time homebuyer distributions (as
3 defined in section 72(t)(6)) or dis-
4 tributions for qualified higher edu-
5 cation expenses (as defined in section
6 72(t)(7)) are made, and”.

7 (2) Section 403(b)(11) is amended by striking
8 “or” at the end of subparagraph (A), by striking the
9 period at the end of subparagraph (B) and inserting
10 “, or”, and by inserting after subparagraph (B) the
11 following new subparagraph:

12 “(C) for qualified first-time homebuyer dis-
13 tributions (as defined in section 72(t)(6)) or for
14 the payment of qualified higher education ex-
15 penses (as defined in section 72(t)(7)).”.

16 (f) EFFECTIVE DATE.—The amendments made by
17 this section shall apply to payments and distributions after
18 the date of the enactment of this Act.

TITLE III—AID TO FAMILIES WITH DEPENDENT CHILDREN

SEC. 301. DISREGARD OF INCOME AND RESOURCES DESIGNATED FOR EDUCATION, TRAINING, AND EMPLOYABILITY.

(a) DISREGARD AS RESOURCE.—Section 402(a)(7)(B) of the Social Security Act (42 U.S.C. 602(a)(7)(B)) is amended—

(1) by striking “or” before “(iv)”, and

(2) by inserting “, or (v) at the option of the State, in the case of a family receiving aid under the State plan (and a family not receiving such aid but which received such aid in at least 1 of the preceding 4 months or became ineligible for such aid during the preceding 12 months because of excessive earnings), any amount not to exceed \$8,000 in a qualified asset account (as defined in section 406(i) of such family” before “; and”.

(b) DISREGARD AS INCOME.—

(1) IN GENERAL.—Section 402(a)(8)(A) of such Act (42 U.S.C. 602(a)(8)(A)) is amended—

(A) by striking “and” at the end of clause (vii), and

(B) by inserting after clause (viii) the following new clause:

1 “(ix) shall disregard any interest or
2 income earned on a qualified asset account
3 (as defined in section 406(i)); and”.

4 (2) NONRECURRING LUMP SUM EXEMPT FROM
5 LUMP SUM RULE.—Section 402(a)(17) of such Act
6 (42 U.S.C. 602(a)(17)) is amended by adding at the
7 end the following: “; and that this paragraph shall
8 not apply to earned or unearned income received in
9 a month on a nonrecurring basis to the extent that
10 such income is placed in a qualified asset account
11 (as defined in section 406(i)) the total amount in
12 which, after such placement, does not exceed
13 \$8,000;”.

14 (3) TREATMENT AS INCOME.—Section
15 402(a)(7) of such Act (42 U.S.C. 602(a)(7)) is
16 amended—

17 (A) by striking “and” at the end of sub-
18 paragraph (B),

19 (B) by striking the semicolon at the end of
20 subparagraph (C) and inserting “; and”, and

21 (C) by adding at the end the following new
22 subparagraph:

23 “(D) shall treat as income any distribu-
24 tions from a qualified asset account (as defined
25 in section 406(i)(1)) which do not meet the def-

1 initiation of a qualified distribution under section
2 406(i)(2);”.

3 (c) QUALIFIED ASSET ACCOUNTS.—Section 406 of
4 such Act (42 U.S.C. 606) is amended by adding at the
5 end the following:

6 “(i)(1) The term ‘qualified asset account’ means a
7 mechanism approved by the State (such as individual re-
8 tirement accounts, escrow accounts, or savings bonds) that
9 allows savings of a family receiving aid to families with
10 dependent children to be used for qualified distributions.

11 “(2) The term ‘qualified distributions’ means dis-
12 tributions for expenses directly related to one or more of
13 the following purposes:

14 “(A) The attendance of a member of the family
15 at any education or training program.

16 “(B) The improvement of the employability (in-
17 cluding self-employment) of a member of the family
18 (such as through the purchase of an automobile).

19 “(C) The purchase of a home for the family.

20 “(D) A change of the family residence.”.

21 (d) STUDY OF USE OF QUALIFIED ASSET ACCOUNTS;
22 REPORT.—The Secretary of Health and Human Services
23 shall conduct a study of the use of qualified asset accounts
24 established pursuant to the amendments made by this sec-
25 tion, and shall report on such study and any recommenda-

1 tions for modifications of such amendments to the Com-
 2 mittee on Finance of the Senate and the Committee on
 3 Ways and Means of the House of Representatives not later
 4 than January 1, 1998.

5 (e) REPORT ON AFDC ASSET LIMIT ON AUTO-
 6 MOBILES.—Within 3 months after the date of the enact-
 7 ment of this section, the Secretary of Health and Human
 8 Services shall submit to the Congress a report on—

9 (1) the need to revise the limitation, established
 10 in regulations pursuant to section 402(a)(7)(B)(i) of
 11 the Social Security Act, on the value of a family
 12 automobile required to be disregarded by a State in
 13 determining the eligibility of the family for aid to
 14 families with dependent children under the State
 15 plan approved under part A of title IV of such Act,
 16 and

17 (2) the extent to which such a revision would
 18 increase the employability of recipients of such aid.

19 (f) EFFECTIVE DATE.—The amendments made by
 20 this section shall take effect on October 1, 1995, with re-
 21 spect to accounts approved on or after such date and be-
 22 fore October 1, 1998.

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S 2301 IS——2